

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: ATMOS ENERGY CORPORATION	DOCKET NOS. PGA-02-58 WRU-02-38-222
--	--

ORDER APPROVING ANNUAL RECONCILIATION AND GRANTING WAIVER

(Issued October 30, 2002)

On October 1, 2002, Atmos Energy Corporation (Atmos) filed with the Utilities Board (Board) its annual purchased gas adjustment (PGA) reconciliation for the period ending August 31, 2002. The filing was identified as Docket No. PGA-02-58. Also on October 1, 2002, Atmos filed a request for waiver of the provisions of 199 IAC 19.10(7) that limit the annual reconciliation to the 12-month period beginning September 1, 2001 and the requirement that any underbillings be recovered through adjustments during the ten-month period November 1, 2002, to August 31, 2003. The Board has identified the waiver request as Docket No. WRU-02-38-222. Atmos requests that it be allowed to include out-of-period adjustments in this reconciliation and to spread the under-collections from those out-of-period adjustments over a three-year period.

By order issued October 7, 2002, the Board docketed the annual reconciliation for further consideration. The Board has allowed out-of-period adjustments to be included in previous reconciliation, but only after investigation. The Board docketed the waiver request even though Atmos had not filed the

information required by 199 IAC 1.3. The Board directed Atmos to file the required information.

Subrule 199 IAC 19.10(7) requires that each year, on or before October 1, Iowa rate regulated natural gas distribution companies must reconcile each customer class' actual net invoiced cost of purchased gas to the actual revenue collected net of the prior year's reconciliation dollars plus any undistributed refunds. If this calculation results in an under-collection, the total uncollected dollars are divided by the anticipated sales volumes for the prospective ten-month period beginning November 1. The resulting quotient (E factor) then becomes a part of that customer class PGA formula. If the calculation results in an over-collection and that over-collection is greater than 3 percent of the annual cost of purchased gas subject to recovery, the over-collection must be refunded by bill credit or check. If the over-collection is 3 percent or less, the over-collection may be refunded by bill credit or check, or by an E factor adjustment to the PGA formula for the ten-month period beginning November 1.

Atmos' annual reconciliation filed on October 1, 2002, contains two under-collections from prior periods due to formula errors in the supporting documentation. The first under-collection is the result of an error in the placement of the decimal in the reconciliation filing from 1999. The under-recovery was reported as \$1,923.07 but was actually \$19,230.66. Atmos is seeking to recover the difference of \$17,307.59.

The second under-collection is the result of the reconciliation filings from 1999 through 2000. In those filings, the reconciliation dollars from the prior period were not netted against the prior year's reconciliation dollars so the E factors were not calculated properly.

Additionally, Atmos requests recovery of the interest associated with the refund in Docket No. RFU-01-5. Atmos states that it was directed by the Board to refund \$177,821.27 from the 2001 annual reconciliation filing which includes \$1,923.07 in interest. The interest is on the refund that should not have been made since recoveries were overstated.

In total, the adjustment related to the prior periods is \$319,912. Atmos proposes that it be allowed to recover this amount over a three-year period because it feels that imposition of this sum upon its ratepayers in a single ten-month recovery period would impose an undue burden to ratepayers. The annual impact on the average residential customer for this prior period adjustment is approximately \$16.68 a year for three years.

For the current period, 12 months ending August 31, 2002, Atmos' filing results in an under-collection of \$201,238 for the firm customer class and an under-collection of \$1,437 for the interruptible class. The proposed E factors that reflect the waiver request and the current annual reconciliation filing are shown in the following table.

	<u>Firm</u>	<u>Interruptible</u>
Prior Period Adjustment \$	\$319,911.88	\$4,315.04
Prior Period E-Factor (3-Yrs)/therm	.020410	.026610
Current Period (Over)/Under	\$201,238.07	(\$2,955.07)
Current Period E-Factor/therm	.038515	(.18223)
Total Proposed Factor/therm	.0589	.0089

Paragraph 199 IAC 19.10(7)"a" allows the utility to recover any under-collection from the prior 12-month period over the succeeding ten months. Atmos requests a waiver of this provision so that it may recover the under-collection from the prior periods and this period over a three-year period. Atmos states this is to reduce the effect the E factor will have on customer bills.

To waive a Board rule the Board must find based upon clear and convincing evidence that the four criteria in 199 IAC 1.3 are met. Those criteria are: 1) that the application of the rule would pose an undue hardship, 2) that the waiver would not prejudice the substantial legal rights of any person, 3) that the provisions waived are not specifically mandated by statute, and 4) substantially equal protection of public health, safety, and welfare will be afforded after the waiver.

Normally, annual reconciliation filings and the resulting E factor are based upon the prior actual purchases of gas by the utility over the preceding 12 months ending August 31. The Board though has on occasion allowed out-of-period adjustments to be brought forward and recovered through the current annual reconciliation E factor. In this instance the Board recognizes that the prior year

under-collections are the result of human error. The Board considers the recovery of these prior year under-collections to be reasonable. However, Atmos should ensure that these types of errors do not occur in the future. Recovery of out-of-period under-collections will not always be allowed if they continue to occur for similar reasons.

The Board also finds that the recovery of the under-collections shown on the table above should take place over a three-year period. This will reduce the effect of this recovery on customer's bills. It would be an undue hardship not to allow Atmos the recovery of the under-collections from the prior periods and it would be an undue hardship on Atmos' customers to have the entire under-collection recovered over the next ten months.

The Board finds that no person will have their substantial legal rights affected by this waiver and the rules waived are not specifically mandated by statute. Finally, there will be no effect on the equal protection of public health, safety, and welfare by the granting of the waiver. The Board finds that the waiver request meets the four criteria of the 199 IAC 1.3 and the evidence in support of the waiver is clear and convincing.

Atmos will be directed to work with Board staff to develop changes to the worksheets Atmos uses to support the reconciliation filings to ensure that these types of errors do not occur in the future. The Board addressed problems with Atmos' PGA filings after the winter of 1999-2000 and Atmos should review its procedures to ensure its PGA filings and annual reconciliation are accurate.

IT IS THEREFORE ORDERED:

1. The annual reconciliation filing of Atmos Energy Corporation filed October 1, 2002, is approved.
2. Atmos Energy Corporation is granted a waiver of 199 IAC 19.10(7) for the recovery of out-of-period under-collections as described in this order.
3. Atmos Energy Corporation is granted a waiver of 199 IAC 19.10(7)"a" and allowed to recover the under-collections as described in this order over a three-year period.
4. Atmos Energy Corporation shall consult with Board staff to develop procedures that eliminate errors in the calculation and implementation of purchased gas adjustment filings and annual reconciliation.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 30th day of October, 2002.